

**RISK FINANCE SUBCOMMITTEE
MEETING MINUTES
Wednesday, January 15, 2003**

RISK FINANCE SUBCOMMITTEE MEMBERS PRESENT

Linda Dunn	Office of the Attorney General
Chris Freed	Department of Licensing
Kathy Gastreich	Department of Corrections
Chuck Greenough	State Board for Community and Technical Colleges
Bill Henselman	Department of Transportation
Carole Mathews	Department of Labor & Industries
Diane Perry	Washington State Patrol
Stephen Simmons	Department of Social and Health Services
Jim Smego	Department of Natural Resources
Angela Terry	Willis of Seattle

ABSENT MEMBERS

Robin Campbell	Office of Financial Management
Bernie Friedman	Department of Social and Health Services
Paul Mueller	Western Washington University
Stewart Sawyer	Acordia Northwest

OFM STAFF PRESENT

Nancy Heyen
John Nicholson
Betty Reed
Gary Robinson

GUESTS

Karen Barden, Willis of Seattle

CALL TO ORDER

Chair, Carole Mathews called the meeting to order at 1:30 p.m.
Members, guests and staff introductions.
Meeting minutes were approved from October 23, 2002 meeting.

MASTER PROPERTY PROGRAM

Betty Reed gave a history and explanation of the master property program. She explained the 3 options:

1. "Status quo" with a \$500,000 Self Insured Retention (SIR). Agencies continue to choose which property they wish to insure. SIR increases from \$50,000 to \$500,000.
2. Restructure the program to insure for catastrophic losses with a larger SIR of \$2.5, \$5 or \$10 million. Set mandatory criteria for all state agencies. Example given: All state agencies will insure all buildings with a value of \$10 million dollars or more.
3. Catastrophic coverage with an SIR of \$2.5, \$5 or \$10 million. Agencies can choose which property they wish to insure.

A discussion followed Betty's presentation that included the following comments:

- There is a need to protect against catastrophic risk.
- The state should be able to finance their own losses as they occur.
- Option 2 with the blanket coverage might make the Legislature recognize cost and benefit.
- Need to look at it from a business perspective
- Would not like the deductible to go higher.
- There is a huge potential loss to the state sitting out there not covered. Catastrophic loss coverage should be considered if the cost could be centralized.
- Not a good idea to rely on FEMA as it is possible that they may not be around in 5 years.
- There are FEMA regulations out there that would restrict the ability to collect.

The Chair asked the question if we stayed at the \$50,000 deductible, what would happen to the premium? Angela Terry said that it would still probably double. Any type of program can be put together, but it comes down to cost and how much you want to spend.

Agencies wondered how to give feedback if they do not know what the premium would be. Angela Terry explained that the state is now paying \$800,000 for the first \$200,000 layer of coverage and already in 6 months have had 3 losses. Premium for the 1st layer would at least double. If the deductible were increased to \$250,000 the overall rate increase shouldn't be that significant.

Agencies were asked if there was a capacity of an increase in the premium. Several said that the premium was not really a problem.

There is some merit in catastrophic coverage.

There was interest in the option to go with a catastrophic coverage, but affordability is an issue. A 2-tiered option was discussed of combining options 1 & 2. Information was requested from the agencies so that values can be updated and this option explored.

ALLOCATION FORMULA

Carole distributed copies of input she has received from various members since the last meeting. The discussion on allocation formula will be continued at the next meeting.

NEXT MEETING

The next meeting will be February 6, 2003.

ADJOURN

The meeting was adjourned at 3:30 p.m.